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15 December 1960

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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF**I. THE COMMUNIST BLOC**

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II. ASIA-AFRICA

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Iran: The Shah's action in publicly labeling international oil prorationing "a nice theory but unrealistic in practice" and his demand that Iran produce at least 50 percent of the annual growth in Middle East oil output will probably prevent the Organization of Petroleum Exporting Countries (OPEC) from developing into an effective force in the near future. Without Iranian participation the scheme of Saudi oil boss Abdullah Tariki and Venezuelan Oil Minister Perez Alfonzo for limiting oil production, world-wide sharing of markets, and price maintenance is unworkable. The Shah's statements reflect his irritation at Tariki's and Alfonzo's efforts to dominate OPEC as well as his hopes that Iran will receive preferential treatment by the oil companies at the expense of the Arab producers.

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***Ethiopia:** [A group of security and Imperial Bodyguard officers apparently has staged a successful coup against the regime of Emperor Haile Selassie.] Crown Prince Asfa Wossen has announced his willingness to serve as a salaried head of state in a constitutional monarchy and has promised to speed up the modernization of the country's feudal society. [Although the Crown Prince is known to favor a liberalization of the regime, there are some indications that he has been subjected to duress]

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DAILY BRIEF

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25X1 [] by the coup's engineers, headed by Director of Security Lt. Col. Workeneh Gabeyhou.]

25X1 The 6,000-man Bodyguard is in full control of key points in Addis Ababa, and most of the influential palace advisors apparently are under arrest. The 25,000-man regular army-- only one battalion of which is stationed in the capital city has taken no definite position concerning the coup, [] and there are indications that its leaders are split on the question. The US Air Attache reports that Armed Forces Chief of Staff Merid ordered two divisions to prepare for movement to the Addis Ababa area, and a clash between these units and the Bodyguard could occur at any time. The Bodyguard reportedly is arming civilians with automatic weapons. []

The coup's leaders have set up a new government and have stated that their regime will be pro-Western and will honor all international commitments. Despite their initial success, they face formidable difficulties in extending their control beyond the Addis Ababa area in the face of opposition from powerful local leaders and from some elements of the army. The Emperor, who has left Brazil headed for Ethiopia, remains the only personage drawing his support from all important elements of the disparate Ethiopian population, and he may still be able to mobilize the opposition to the coup. []

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0 France-Algeria: The Algerian rioting seems not to have deterred President De Gaulle from his intention to press his self-determination policy for Algeria. His next public statement on the situation now is expected soon after today's cabinet meeting. French officials are taking the line that only minority elements of the European and Moslem communities were involved in the rioting. Although the government's roundup of both European and Moslem riot ringleaders is designed to underscore this view, continued firing on Moslem demonstrators by

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French security forces further reduces the possibility of the peaceful Moslem-settler relationship which De Gaulle's Algerian policy requires. There is no evidence that the FLN fomented the Moslem demonstrations, but its agents are probably exploiting them.

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Ecuador: The Communist party is reported planning continued violent agitation against the US on the issue of the 1942 boundary settlement with Peru which the US and other guarantor powers reaffirmed on 7 December. The demonstrations on 12 and 13 December against US installations in Guayaquil, Quito, and other cities--following similar violence against the US Consulate in Guayaquil and against the embassy in Quito on 9 December--are apparently connected with initial moves in the Communist plan. The Velasco government, which has carried out an extensive campaign to nullify the boundary settlement since it took office last September, has encouraged such outbreaks by its anti-US and pro-Soviet public statements.

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IV. WATCH COMMITTEE CONCLUSIONS

- A. [No Sino-Soviet bloc country intends to initiate hostilities against the United States or its possessions in the immediate future.]
- B. [No Sino-Soviet bloc country intends deliberately to initiate direct military action against US forces abroad, US allies, or areas peripheral to the bloc in the immediate future.]
- C. [The formation of a new pro-Western government in Laos, together with Phoumi's success in securing substantial control of Vientiane (excluding the airfield and other pockets), greatly increases the probability of aggressive Pathet Lao hostile activity throughout the country. The]

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[Communist bloc has substantially increased its delivery capabilities further to assist the Kong Le/Pathet Lao forces to meet developments.]

- D. [Other developments affording increased opportunities for exploitation by the Communist bloc:]

[ETHIOPIA The Ethiopian coup which was launched in the absence of Emperor Haile Selassie in Brazil, appears to have as its objective the establishment of a pro-Western constitutional monarchy, which the Crown Prince possibly under duress, has agreed to head. No immediate Sino-Soviet bloc reaction has been forthcoming, and no signs of bloc involvement are yet apparent. The Imperial Bodyguard appears to have the upper hand; the attitude of the army is not clear. Discussions between these two military elements are in progress apparently in an effort to avoid civil war.]

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Shah's Views Weaken OPEC

[In a recent interview the Shah of Iran publicly denounced international prorationing--a scheme whereby Iran and the major Arab oil producers would limit production, share markets, and thus maintain high prices--as a "nice theory but unrealistic in practice." This action will probably prevent the Organization of Petroleum Exporting Countries (OPEC) from developing into an effective anti-industry force in the near future.]

[Set up only last September, largely through the efforts of Saudi oil boss Abdullah Tariki and Venezuela's Minister of Mines and Hydrocarbons Juan Perez Alfonzo, OPEC has five members--Kuwait, Saudi Arabia, Iraq, Iran, and Venezuela--which account for about 80 percent of the free world's oil reserves and more than two thirds of the oil moving in international trade. OPEC has serious structural and conceptual weaknesses which reduce its threat to the international oil industry; however, active Iranian participation would have confronted the industry with at least apparent unity among Middle East producers.]

[The Shah's statements were probably sparked by his growing irritation at Tariki's and Perez Alfonzo's efforts to dominate OPEC and their many recent statements suggesting that Iran had agreed to limit production, share increasing production gains with Arab states, and share markets. He has also become increasingly aware that Iran's best hopes for rapid increases in revenues rest with winning preferential treatment from the oil companies at the expense of its Arab neighbors. In addition to dismissing prorationing, the Shah noted that Iran should receive at least half of the annual increase in Middle East oil production and should return to its pre-1951 position of accounting for 60 percent of the area's output. Presently, Iran's 1,011,000 barrels-a-day crude production is less than 22 percent of the total.]

[It is also doubtful that Kuwait will cooperate fully with the members of OPEC.]

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[REDACTED] The UAR, miffed at having been left out of OPEC in order to assure Iranian membership, probably would welcome a breakdown of that organization and a return of Arab oil policy matters to the Arab League, in which Cairo has the dominant voice.

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Anti-US Violence in Ecuador

Ecuador's small Communist party is reported planning extensive exploitation of anti-US sentiment in Ecuador by attempting to place sole responsibility on the US for the 7 December declaration by the guarantor powers upholding the validity of the 1942 Rio Protocol. The guarantor powers are the US, Argentina, Brazil, and Chile, and the protocol, which provides for a definitive settlement of the 140-year-old boundary dispute with Peru, grants a favorable territorial award to the latter. Since taking office last September, President Velasco's government has carried out an extensive campaign to nullify the treaty. This campaign has had virtually unanimous public support.

Demonstrations on 12 and 13 December against various US installations in Guayaquil, Quito, and other provincial cities included several insults to the US flag. These demonstrations followed similar violence against the US Consulate General in Guayaquil and the US Embassy in Quito on 9 December. This unrest is apparently connected with the initial effort to carry out the Communist plan. Additional anti-US outbreaks are likely.

The Ecuadorean Government has encouraged such outbreaks by provocative public statements and possibly other means. Manuel Araujo, the anti-US and pro-Castro minister of government who controls the police and is responsible for maintenance of civil order, has declared in recent speeches: "If Soviet guns are needed to defend our country, let them come." "If circumstances make it necessary to seek aid from Russia, we will ally ourselves with Russia."

The Velasco regime is also resorting to a variety of extremist threats designed to neutralize the guarantor statement and win official and popular support for its cause in the hemisphere. These threats include the establishment of closer ties with Cuba and diplomatic relations with the USSR and China and withdrawal

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25X1 [REDACTED] from the Organization of American States. Foreign Minister Chiriboga, who has teamed with Velasco in leading Ecuador's attacks on the protocol, advised Ambassador Bernbaum on 10 December that the declaration had crystallized the efforts of the vice president, Araujo, and other cabinet members to eliminate "excessive dependence on the US" and seek relations with the USSR and China. In a 10 December public statement apparently timed to reinforce such threats, Chiriboga announced that Czechoslovakia would soon reopen its legation in Quito, which was closed by the predecessor administration in 1957, and that Ecuador would establish a mission of equal rank in Prague in January. [REDACTED]

[REDACTED]

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25X1 The Ecuadorean military, who realize Peru's marked military superiority and are politically hostile toward Araujo, are a potentially moderating influence on Velasco. In Peru, where official and public opinion was elated over the guarantor declaration, the army is sending reinforcements to the border area, including 12 tanks--probably as precaution against the outbreak of an armed conflict. Major Peruvian fleet elements have also sailed northward. [REDACTED]

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